

Message Text

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ORIGIN OES-05

INFO OCT-01 EUR-12 ISO-00 FEA-01 ACDA-10 CIAE-00 INR-07

IO-11 L-03 NSAE-00 NSC-05 EB-07 NRC-07 DODE-00 ERDA-07

SS-15 /091 R

DRAF ED BY OES/NET/IM:DHOYLE/STATE DEPT

APPROVED BY OES/NET/IM:DHOYLE/STATE DEPT

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R 181816Z FEB 76

FM SECSTATE WASHDC

TO MR J T OWENS

PORTLAND GENERAL ELECTRIC CO 621 SW ALDER ST

PORTLAND OREGON 97205

MR ROBERT WORDEN

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

PO BOX 968 3000 GEO WASHINGTON WAY

RICHLAND WASHINGTON 99352

INFO AMEMBASSY OTTAWA

UNCLAS STATE 038945

OTTAWA FOR M.N. HUDSON

E.O. 11652: NA

TAGS:

SUBJECT:

1. IN RECENT DISCUSSIONS WITH OFFICIALS OF CANADIAN DEPARTMENT OF EXTERNAL AFFAIRS (EXTAFF) RELATING TO PEACEFUL USE GUARANTEES, SAFEGUARDS AND CONTROLS WHICH CANADA WISHES TO HAVE APPLIED TO CANADIAN-ORIGIN NATURAL URANIUM USED IN FUEL CYCLE OF US NUCLEAR POWER REACTORS, AS WELL AS TO PLUTONIUM DERIVED THEREFROM, EXTAFF HAS STRESSED NEED TO REACH PROMPT DECISION ON EXCHANGE OF NOTES WHICH WOULD BRING A MUTUALLY AGREED INTERIM PROCEDURE INTO FORCE. WE
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APPEAR TO BE CLOSE TO AGREEMENT ON TEXT OF SUCH AN

EXCHANGE, THE PRESENT US VERSION OF WHICH FOLLOWS:

"THE EMBASSY OF THE UNITED STATES PRESENTS ITS COMPLIMENTS TO THE DEPARTMENT OF EXTERNAL AFFAIRS AND HAS THE HONOR TO REFER TO DISCUSSIONS WHICH HAVE TAKEN PLACE OVER THE PAST SEVERAL MONTHS CONCERNING ARRANGEMENTS UNDER WHICH CANADIAN ORIGIN NATURAL URANIUM IMPORTED INTO THE UNITED STATES FOR ENRICHMENT AND SUBSEQUENT USE BY OUR UTILITIES IN THE NUCLEAR FUEL CYCLE COULD BE BROUGHT UNDER MUTUALLY ACCEPTABLE PEACEFUL USE GUARANTEES.

"THE EMBASSY HAS THE HONOR TO PROPOSE THAT THE FOLLOWING INTERIM PROCEDURE BE APPLIED TO SUCH CANADIAN ORIGIN NATURAL URANIUM AS THE GOVERNMENT OF CANADA HAS NOTIFIED THE GOVERNMENT OF THE UNITED STATES IN WRITING AND WHICH THE GOVERNMENT OF THE UNITED STATES HAS ACCEPTED IN WRITING PRIOR TO THE PROPOSED SHIPMENT SHALL BE SUBJECT TO THE TERMS OF THIS PROCEDURE.

"IT IS PROPOSED FURTHER THAT THIS INTERIM PROCEDURE SHALL REMAIN IN EFFECT UNTIL SUCH TIME AS THE GOVERNMENT OF THE UNITED STATES AND CANADA HAVE ESTABLISHED A MUTUALLY ACCEPTABLE PROCEDURE BY AN AGREEMENT WHICH SHALL TAKE INTO ACCOUNT THE SAFEGUARDS REGIME TO BE ESTABLISHED PURSUANT TO AN AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES AND THE INTERNATIONAL ATOMIC ENERGY AGENCY FOR THE APPLICATION OF SAFEGUARDS IN THE UNITED STATES. THE GOVERNMENT OF CANADA AND THE GOVERNMENT OF THE UNITED STATES SHALL MAKE THEIR BEST EFFORTS TO ESTABLISH SUCH A PROCEDURE WITHIN SIX MONTHS OF THE ENTRY INTO FORCE OF THAT SAFEGUARDS REGIME.

"THE UNITED STATES GOVERNMENT GUARANTEES THAT SUCH URANIUM AND SUBSEQUENT GENERATIONS OF FISSILE MATERIAL DERIVED THEREFROM SHALL NOT BE USED FOR THE DEVELOPMENT, MANUFACTURE OR DETONATION OF ANY NUCLEAR WEAPON OR OTHER NUCLEAR EXPLOSIVE DEVICE.

"PRIOR TO ENTRY INTO FORCE OF THE AFOREMENTIONED SAFEGUARDS REGIME BETWEEN THE GOVERNMENT OF THE UNITED STATES
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AND THE INTERNATIONAL ATOMIC ENERGY AGENCY, THE ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION WILL BE PREPARED TO HOLD AT ITS FACILITIES MATERIAL SUBJECT TO THIS INTERIM PROCEDURE FOR USE IN THE FUEL CYCLE OF DOMESTIC POWER REACTORS, AND WILL INFORM THE ATOMIC ENERGY CONTROL BOARD WHEN APPROPRIATE ARRANGEMENTS HAVE BEEN MADE WITH THE AFFECTED UNITED STATES UTILITIES TO PERMIT IT TO IMPLEMENT THIS UNDERSTANDING. WHILE SUCH MATERIAL IS HELD AT

FACILITIES OF THE ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION, ARRANGEMENTS OF A MUTUALLY SATISFACTORY NATURE WILL BE MADE BETWEEN THE ATOMIC ENERGY CONTROL BOARD OF CANADA AND THE ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION TO ASSURE COMPLIANCE WITH THE FOREGOING GUARANTEE. DURING SUCH PERIOD, THE ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION WILL NOT TRANSFER SUCH MATERIAL FROM ITS FACILITIES WITHOUT THE PRIOR WRITTEN CONSENT OF THE ATOMIC ENERGY CONTROL BOARD OF CANADA.

"UPON THE ENTRY INTO FORCE OF THE AFOREMENTIONED SAFEGUARDS REGIME BETWEEN THE GOVERNMENT OF THE US AND THE INTERNATIONAL ATOMIC ENERGY AGENCY, THE ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION MAY PERMIT MATERIAL SUBJECT TO THIS INTERIM PROCEDURE TO BE HELD AND USED IN FACILITIES IN THE UNITED STATES WHICH ARE SUBJECT TO THE PROVISIONS OF THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES AND THE INTERNATIONAL ATOMIC ENERGY AGENCY FOR THE APPLICATION OF SAFEGUARDS IN THE UNITED STATES, OR IN SUCH OTHER FACILITIES AS MAY BE MUTUALLY AGREED.

"TO FACILITATE IMPLEMENTATION OF THIS PROCEDURE, THE ATOMIC ENERGY CONTROL BOARD WILL ADVISE THE ENERGY RESEARCH DEVELOPMENT ADMINISTRATION PRIOR TO THE IMPORT INTO THE UNITED STATES OF NATURAL URANIUM SUBJECT TO THIS INTERIM PROCEDURE.

"IF THE ABOVE PROPOSAL IS AGREEABLE TO YOUR GOVERNMENT, THIS INTERIM UNDERSTANDING SHALL ENTER INTO FORCE UPON RECEIPT BY THE EMBASSY OF WRITTEN NOTIFICATION TO THAT EFFECT. THE UNDERSTANDING SHALL REMAIN IN EFFECT UNTIL (I) THE GOVERNMENT OF THE UNITED STATES AND CANADA HAVE ESTABLISHED THE MUTUALLY ACCEPTABLE PROCEDURE REFERRED TO UNCLASSIFIED

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IN THE THIRD PARAGRAPH OF THIS NOTE OR (II) FOR A PERIOD OF TWO YEARS, WHICHEVER OCCURS EARLIER, PROVIDED, HOWEVER, THAT WITH RESPECT TO ANY NATURAL URANIUM IN THE UNITED STATES WHICH HAS BEEN DELIVERED PURSUANT TO THIS INTERIM PROCEDURE, THE UNDERSTANDING SHALL REMAIN IN EFFECT UNTIL THE MUTUALLY ACCEPTABLE PROCEDURE IS ESTABLISHED."

2. THE NOTE DOES NOT REPEAT NOT ADDRESS THE PROBLEM OF DISPOSITION OF ANY NATURAL URANIUM IMPORTED UNDER THE INTERIM PROCEDURE SHOULD IT NOT PROVE POSSIBLE TO REACH THE COMPREHENSIVE PROCEDURE CONTEMPLATED IN PARAGRAPH 3 OF THE NOTE. WE HAVE ASKED THAT CANADIANS CONSIDER SEVERAL POSSIBILITIES INVOLVING EITHER SUBSTITUTION OR RESALE IN SUCH CIRCUMSTANCE. HOWEVER, IT IS DOUBTFUL THAT WE WILL HAVE THEIR RESPONSE PRIOR TO TIME THAT WE

MUST MAKE A DECISION ON WHETHER OR NOT TO ENTER INTO THE PROPOSED INTERIM ARRANGEMENT. IN REGARD THIS POSSIBILITY, EXTAFF HAS INDICATED WILLINGNESS TO BE AS FLEXIBLE AS POSSIBLE, WITHIN LIMITS OF CANADIAN LAW AND POLICIES.

3. WE WOULD APPRECIATE YOUR COMMENTS ON THE EXCHANGE OF NOTES, RECOGNIZING THAT THERE PROBABLY IS VERY LITTLE WE CAN DO TO CHANGE THE SUBSTANCE. PARTICULARLY, WE WOULD LIKE TO KNOW WHETHER SUCH AN EXCHANGE WOULD BY ITS

ENTRY INTO FORCE CREATE ANY IRREVERSIBLE COMMITMENT ON THE PART OF YOUR COMPANY TO IMPORT THE NATURAL URANIUM INVOLVED OR SIMPLY WOULD PROVIDE A BASIS FOR SUCH IMPORT SHOULD YOU SUBSEQUENTLY DECIDE IT WERE IN YOUR BEST INTEREST. WE ALSO WOULD APPRECIATE ANY THOUGHTS YOU MAY HAVE ON ARRANGEMENTS WHICH MIGHT BE EMPLOYED TO MAKE YOUR COMPANY FINANCIALLY WHOLE, WHILE ASSURING AN ADEQUATE SUPPLY OF NATURAL URANIUM TO REPLACE THE CANADIAN-ORIGIN MATERIAL, SHOULD IT NOT PROVE POSSIBLE TO REACH AGREEMENT WITH CANADA ON A LONG-TERM PROCEDURE.

4. IN LIGHT OF THE URGENCY, COMMENTS WOULD BE APPRECIATED AT YOUR EARLIEST CONVENIENCE. THESE MAY BE GIVEN BY PHONE: (202) 632-4812. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, URANIUM, NUCLEAR SAFEGUARDS, NUCLEAR POWER PLANTS, DIPLOMATIC NOTES
Control Number: n/a
Copy: SINGLE
Draft Date: 18 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE038945
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760061-0723
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760238/aaaabgvw.tel
Line Count: 192
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN OES
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ullricre
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 JUL 2004 by oatisao>; APPROVED <02 SEP 2004 by ullricre>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CANADIAN-US EXCHANGE OF NOTES ON PEACEFUL USE GUARANTEES, SAFEGUARDS AND CONTROLS ON CANADIAN ORIGINATED NATURAL URANIUM
TAGS: TECH, ENRG, CA, US
To: OWENS J T WORDEN ROBERT
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006